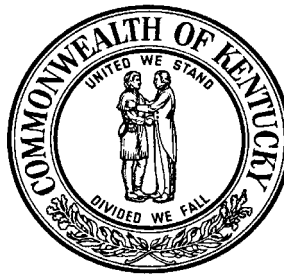


**REPORT OF THE AUDIT OF THE  
CRITTENDEN COUNTY  
SHERIFF'S SETTLEMENT - 2002 TAXES**

**April 28, 2003**



**EDWARD B. HATCHETT, JR.**  
**AUDITOR OF PUBLIC ACCOUNTS**  
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EDWARD B. HATCHETT, JR.  
AUDITOR OF PUBLIC ACCOUNTS

To the People of Kentucky  
Honorable Paul E. Patton, Governor  
Gordon C. Duke, Secretary  
Finance and Administration Cabinet  
Dana Mayton, Secretary, Revenue Cabinet  
Honorable Victor Hardin, Crittenden County Judge/Executive  
Honorable Wayne Agent, Crittenden County Sheriff  
Members of the Crittenden County Fiscal Court

The enclosed report prepared by Kapp & Company, PLLC, Certified Public Accountants, presents the Crittenden County Sheriff's Settlement - 2002 Taxes as of April 28, 2003.

We engaged Kapp & Company, PLLC, to perform the financial audit of this statement. We worked closely with the firm during our report review process; Kapp & Company, PLLC, evaluated the Crittenden County Sheriff's internal controls and compliance with applicable laws and regulations.

Respectfully submitted,

Edward B. Hatchett, Jr.  
Auditor of Public Accounts

Enclosure







**Kapp & Company, PLLC**

Certified Public Accountants &  
Business Advisors

**REPORT OF THE AUDIT OF THE  
CRITTENDEN COUNTY  
SHERIFF'S SETTLEMENT - 2002 TAXES**

**April 28, 2003**



**EXECUTIVE SUMMARY**  
**AUDIT EXAMINATION OF THE**  
**CRITTENDEN COUNTY**  
**SHERIFF'S SETTLEMENT - 2002 TAXES**

**April 28, 2003**

Kapp & Company, PLLC, has completed the audit of the Sheriff's Settlement - 2002 Taxes for Crittenden County Sheriff as of April 28, 2003. We have issued an unqualified opinion on the financial statement taken as a whole. Based upon the audit work performed, the financial statement is presented fairly in all material respects.

**Financial Condition:**

The Sheriff collected taxes of \$1,936,268 for the districts for 2002 taxes, retaining commissions of \$80,227 to operate the Sheriff's office. The Sheriff distributed taxes of \$1,856,751 to the districts for 2002 Taxes. Taxes of \$17 are due to the districts from the Sheriff and refunds of \$1,425 are due to the Sheriff from the taxing districts.

**Report Comment:**

- Lacks Adequate Segregation Of Duties

**Deposits:**

The Sheriff's deposits were insured and collateralized by bank securities or bonds.





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**Kapp & Company, PLLC**

Certified Public Accountants &  
Business Advisors

To the People of Kentucky

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Gordon C. Duke, Secretary

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Honorable Wayne Agent, Crittenden County Sheriff

Members of the Crittenden County Fiscal Court

Independent Auditor's Report

We have audited the Crittenden County Sheriff's Settlement - 2002 Taxes as of April 28, 2003. This tax settlement is the responsibility of the Crittenden County Sheriff. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for Sheriff's Tax Settlements issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, the Sheriff's office prepares the financial statement on a prescribed basis of accounting that demonstrates compliance with the modified cash basis and laws of Kentucky, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the accompanying financial statement referred to above presents fairly, in all material respects, the Crittenden County Sheriff's taxes charged, credited, and paid as of April 28, 2003, in conformity with the modified cash basis of accounting.

In accordance with Government Auditing Standards, we have also issued our report dated October 16, 2003, on our consideration of the Sheriff's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

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Members of the Crittenden County Fiscal Court

Based on the results of our audit, we present the accompanying comment and recommendation, included herein, which discusses the following report comment:

- Lacks Adequate Segregation Of Duties

Respectfully submitted,

A handwritten signature in cursive script that reads "Kapp & Company, PLLC".

Kapp & Company, PLLC

Audit fieldwork completed -  
October 16, 2003

CRITTENDEN COUNTY  
WAYNE AGENT, COUNTY SHERIFF  
SHERIFF'S SETTLEMENT - 2002 TAXES

April 28, 2003

<u>Charges</u>	<u>County Taxes</u>	<u>Special Taxing Districts</u>	<u>School Taxes</u>	<u>State Taxes</u>
Real Estate	\$ 262,037	\$ 178,237	\$ 896,443	\$ 310,361
Tangible Personal Property	14,958	10,203	47,041	37,248
Intangible Personal Property				12,824
Fire Protection	2,026			
Franchise Corporation	48,459	33,152	152,942	
Limestone, Sand, and Mineral Reserves	463	309	1,584	548
Penalties	1,834	1,228	6,239	2,184
Adjusted to Sheriff's Receipt	(110)	(68)	(364)	(116)
Gross Chargeable to Sheriff	<u>\$ 329,667</u>	<u>\$ 223,061</u>	<u>\$ 1,103,885</u>	<u>\$ 363,049</u>
<u>Credits</u>				
Exonerations	\$ 568	\$ 379	\$ 1,943	\$ 673
Discounts	4,267	2,887	14,389	5,573
Delinquents:				
Real Estate	4,110	2,740	14,060	4,867
Tangible Personal Property	40	27	124	146
Uncollected Franchise	5,525	3,767	17,309	
Total Credits	<u>\$ 14,510</u>	<u>\$ 9,800</u>	<u>\$ 47,825</u>	<u>\$ 11,259</u>
Taxes Collected	\$ 315,157	\$ 213,261	\$ 1,056,060	\$ 351,790
Less: Commissions *	13,682	9,064	42,242	15,239
Taxes Due	\$ 301,475	\$ 204,197	\$ 1,013,818	\$ 336,551
Taxes Paid	301,351	204,198	1,014,733	336,469
Refunds (Current and Prior Year)	111	75	383	129
Due Districts or (Refunds Due Sheriff)		**		
as of Completion of Fieldwork	<u>\$ 13</u>	<u>\$ (76)</u>	<u>\$ (1,298)</u>	<u>\$ (47)</u>

\* and \*\* See Page 4.

The accompanying notes are an integral part of this financial statement.

CRITTENDEN COUNTY  
WAYNE AGENT, COUNTY SHERIFF  
SHERIFF'S SETTLEMENT - 2002 TAXES  
April 28, 2003  
(Continued)

\* Commissions:

10% on	\$	10,000
4.25% on	\$	870,208
4% on	\$	1,056,060

\*\* Special Taxing Districts:

Library District	\$	(80)
Extension District		<u>4</u>

Due Districts or (Refunds Due Sheriff)	\$	<u><u>(76)</u></u>
--	----	--------------------

The accompanying notes are an integral part of this financial statement.

CRITTENDEN COUNTY  
NOTES TO FINANCIAL STATEMENTS

April 28, 2003

Note 1. Summary of Significant Accounting Policies

A. Fund Accounting

The Sheriff's office tax collection duties are limited to acting as an agent for assessed property owners and taxing districts. A fund is used to account for the collection and distribution of taxes. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

B. Basis of Accounting

The financial statement has been prepared on a modified cash basis of accounting. Basis of accounting refers to when charges, credits, and taxes paid are reported in the settlement statement. It relates to the timing of measurements regardless of the measurement focus.

Charges are sources of revenue which are recognized in the tax period in which they become available and measurable. Credits are reductions of revenue which are recognized when there is proper authorization. Taxes paid are uses of revenue which are recognized when distributions are made to the taxing districts and others.

C. Cash and Investments

At the direction of the fiscal court, KRS 66.480 authorizes the Sheriff's office to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

Note 2. Deposits

The Sheriff maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to KRS 66.480(1)(d) and KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the Sheriff and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. These requirements were met, and as of April 28, 2003, the Sheriff's deposits were fully insured or collateralized at a 100% level with collateral of either pledged securities held by the Sheriff's agent in the Sheriff's name, or provided surety bond which named the Sheriff as beneficiary/obligee on the bond.

CRITTENDEN COUNTY  
NOTES TO FINANCIAL STATEMENT  
April 28, 2003  
(Continued)

Note 3. Tax Collection Period

The real and personal property tax assessments were levied as of January 1, 2002. Property taxes were billed to finance governmental services for the year ended June 30, 2003. Liens are effective when the tax bills become delinquent. The collection period for these assessments was September 14, 2002 through April 28, 2003.

Note 4. Interest Income

The Crittenden County Sheriff earned \$1,830 as interest income on 2002 taxes. The Sheriff distributed the appropriate amount to the school district as required by statute, and the remainder will be used to operate the Sheriff's office. As of October 16, 2003, the Sheriff is owed \$16 in interest from the school district and owes \$151 in interest to his fee account.

Note 5. Sheriff's 10% Add-On Fee

The Crittenden County Sheriff collected \$8,812 of 10% add-on fees allowed by KRS 134.430(3). This amount will be used to operate the Sheriff's office. As of October 16, 2003, the Sheriff owes \$6,896 in 10% add-on fees to his fee account.

Note 6. Advertising Costs And Fees

The Crittenden County Sheriff collected \$1,645 of advertising costs and \$640 of advertising fees allowed by KRS 424.330(1) and KRS 134.440(2). The advertising costs and the advertising fees will be used to operate the Sheriff's office. As of October 16, 2003, the Sheriff owes \$1,635 in advertising costs and \$640 in advertising fees to his fee account.



COMMENT AND RECOMMENDATION



CRITTENDEN COUNTY  
WAYNE AGENT, COUNTY SHERIFF  
COMMENT AND RECOMMENDATION

April 28, 2003

Lacks Adequate Segregation Of Duties

Due to the entity's diversity of official operations, small size and budget restrictions, the official has limited options for establishing an adequate segregation of duties. The Sheriff has primarily assigned one deputy to perform all of the accounting functions of the office. We recommend that the Sheriff assign someone else to periodically review this work in order to create compensating controls to offset this internal control weakness. Examples of compensating controls are: 1) comparing source documents to the receipts and disbursements ledgers and to the monthly tax reports; 2) having deposits compared to the receipts ledger and bank statements; and 3) comparing checks to monthly tax reports.

*Sheriff's Response:*

*Lack of segregation of duties seems to be an ongoing problem in small Departments in Kentucky. This department has always done its best to comply with all regulations. This comment is duly noted and we shall try our best to try and make the changes requested.*

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REPORT ON COMPLIANCE  
AND ON INTERNAL CONTROL OVER FINANCIAL  
REPORTING BASED ON AN AUDIT OF THE FINANCIAL STATEMENT  
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS





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Members of the Crittenden County Fiscal Court

Report On Compliance And On Internal Control  
Over Financial Reporting Based On An Audit Of The Financial  
Statement Performed In Accordance With Government Auditing Standards

We have audited the Crittenden County Sheriff's Settlement - 2002 Taxes as of April 28, 2003, and have issued our report thereon dated October 16, 2003. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Crittenden County Sheriff's Settlement -2002 Taxes as of April 28, 2003 is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Crittenden County Sheriff's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statement and not to provide assurance on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the entity's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statement. A reportable condition is described in the accompanying comment and recommendation.

- Lacks Adequate Segregation Of Duties

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Report On Compliance And On Internal Control  
Over Financial Reporting Based On An Audit Of The Financial  
Statement Performed In Accordance With Government Auditing Standards  
(Continued)

Internal Control Over Financial Reporting (Continued)

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statement being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe the reportable condition described above is a material weakness.

This report is intended solely for the information and use of management and is not intended to be and should not be used by anyone other than the specified party.

Respectfully submitted,

A handwritten signature in cursive script that reads "Kapp & Company, PLLC".

Kapp & Company, PLLC

Audit fieldwork completed -  
October 16, 2003



